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**CENTRAL INTELLIGENCE GROUP**  
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~~CONFIDENTIAL~~ in accordance with the  
letter of 18 October 1978 from the  
Director of Central Intelligence to the  
Attorney General of the United States

25X1C1. President Skrzypczynski of the Central Administration of Industry reported to his colleagues on the status of state-owned industry in the Russian Zone. At the suggestion of Col. Tulpanov, Skrzypczynski had visited a number of state-owned factories himself and had sent personal observers to investigate others.

2. According to Skrzypczynski, the main source of difficulties in the state-owned factories is the shortage of qualified personnel. In most factories the leading officials were discharged when the state assumed ownership and replaced by men who often lacked all technical knowledge. The latter usually chose their assistants for their political views rather than their business experience. The main emphasis was placed on assuring the rights of the employees. This attempt at collective management often proved unfeasible.
3. The Industrieverwaltungen (managing bodies for each branch of industry) were staffed with plant experts; however, they lacked experience in the management of such large groups. The result was an extensive bureaucracy which has bogged down in statistics, plans, and reports and left the actual management of the plants uncontrolled.
4. Skrzypczynski stated that despite preferential treatment by the state in regard to materials, price increases, special rations for workers, etc., the state-owned plants have not been a success. Production per worker has sunk, costs have risen, repairs are neglected.
5. Skrzypczynski gave no names or figures. Vice-President Jakob Boulanger (SED) remarked that cases of sabotage in the state-owned factories had been proved. Skrzypczynski replied that he had no information on this point.

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